

ANALYSIS OF ORIGINAL BILL

Franchise Tax Board

Author: Vasconcellos Analyst: Kristina E. North Bill Number: SB 1082
Related Bills: See Legislative History Telephone: 845-6978 Introduced Date: February 23, 2001
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: California Fund for Senior Citizens/Repeal After January 1, 2005 if Minimum Contribution Amount is Not Met

SUMMARY

This bill would allow the California Fund for Senior Citizens voluntary contribution designation to remain on the tax return for 2001 through 2005, even if it fails to meet the \$250,000 minimum contribution amount requirement.

PURPOSE OF THE BILL

According to the author's office, the purpose of this bill is to ensure the ongoing support of the California Senior Legislature, which receives a monetary allocation from this fund.

EFFECTIVE/OPERATIVE DATE

This bill would be effective January 1, 2001, and specifies that that it would apply to tax returns filed in 2002 and thereafter for taxable years beginning on or after January 1, 2002.

POSITION

Pending.

ANALYSIS

STATE LAW

Current federal tax law provides a true checkoff to direct \$3 of a taxpayer's tax liability to the Presidential Election Fund. Designation of the \$3 amount does not affect a taxpayer's tax liability or refund amount.

Current state tax law allows taxpayers to make contributions of their own funds (not tax liability) on their tax returns to the 13 voluntary contribution funds listed on the State tax return.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Department Director

Date

Gerald H. Goldberg

03/27/01

Except for the California Senior's Special Fund, which has no sunset date, the voluntary contribution funds have various sunset dates. Attachment I shows the specific sunset dates for each voluntary contribution fund and indicates that all funds except for the California Senior's Special Fund must meet a minimum contribution test (as indexed, if required) to remain on the return. Attachment II is a chart showing the number and dollar amount of contributions to the funds for multiple fiscal years.

THIS BILL

This bill would replace the requirement that the California Fund for Senior Citizens must meet the minimum contribution amount (\$250,000) beginning in 2001 with the requirement that the fund must meet the minimum contribution amount only if the fund's repeal date is deleted.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not significantly impact the department's programs and operations.

TECHNICAL CONSIDERATION

While the bill would eliminate the requirement that the fund meet the contribution amount for 2001, the indexing of that amount for inflation would still begin in 2002. The author may wish to consider delaying the inflation indexing until the first calendar year after the repeal date is deleted.

LEGISLATIVE HISTORY

AB 1697 (Stats. 1999, Ch. 228) removed the provision requiring the deletion of the repeal date before the minimum contribution amount was effective. Also, it specified that for taxable years beginning January 1, 2001, the California Fund for Senior Citizens fund would be required to meet the minimum contribution amount.

PROGRAM BACKGROUND

Thirteen voluntary contribution funds appeared on the 2000 California personal income tax return. Total contributions to these funds have varied from approximately \$3.4 million in 1989/1990 to approximately \$3.3 million in 1999/2000. The number of individuals contributing (first tabulated in 1993) remains fairly constant at approximately 140,000, or slightly less than 1% of all taxpayers.

The California Fund for Senior Citizens first appeared on the tax return in 1983. Until 1999, only the deletion of the fund's repeal date would trigger the minimum contribution amount provision. Voluntary contribution repeal dates have never been deleted. In 1999, AB 1697 removed the triggering mechanism and specified that the minimum contribution amount requirement would be effective for taxable years beginning on or after 2001.

OTHER STATES' INFORMATION

A discussion of the treatment of voluntary contribution funds in other states is not relevant to the narrow application of this bill.

FISCAL IMPACT

This bill would not impact the department's costs.

ECONOMIC IMPACT

Potential revenue losses from this bill would be very minor, less than \$15,000 annually. The loss would result from itemized deductions for the contributions.

POLICY CONCERNS

Under current state tax law, this fund could be removed from the 2001 state income tax return for failing to meet the minimum contribution amount of \$250,000. The FTB must estimate by September 1 by using the actual amount contributed to date and an estimate of the remaining year's contributions. For fiscal year 1999/2000, \$216,484 had been contributed to this fund. The Legislature imposed the minimum contribution test on voluntary contributions to allow only those voluntary contribution funds that perform at or above a specified level to remain on the return. Generally, repeal dates are not deleted. This bill would effectively allow the California Fund for Senior Citizens to remain on the state income tax return until the repeal date without having to meet the minimum contribution test applicable to other voluntary contribution funds.

The placement of non-tax related voluntary contribution funds on the tax return limits the amount of space available for tax-related items. The inclusion of non-tax related information may ultimately impair tax collection and reduce administrative efficiency.

LEGISLATIVE STAFF CONTACT

Kristina E. North
Franchise Tax Board
845-6978

Brian Putler
Franchise Tax Board
845-6333